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HEADLINE: Amber waves of gain; ancillary products and services being offered by apartment owners and managers

BYLINE: Wadsworth, Kent Hansen

BODY:

Rents don't cut it anymore. So how are apartment managers and owners responding? By doubling revenues.

Not only is it possible for apartment owners and managers to double revenues without raising rents a penny or occupancies a single percentage point, it's imperative if they want to make a profit in the future, say industry prognosticators. It doesn't take a special almanac to see the signs. Flattening rents, stiff competition, and smarter consumers are leading apartment owners and managers away from the farmed-out earth of rental income to sow their seeds in new soil: goods and services.

"Alternative income, other than rents, will be larger in the future and more important than rents are to apartment properties now," predicts Allen Cymrot of Cymrot Realty Advisors Inc., a Mountain View, Calif.-based real estate consulting organization. "Real estate owners need to stop dancing the myopic two-step with tenants: I give you space, you give me rent."

Tami Siewruk of The Sales and Marketing Magic Companies, Palm Harbor, Fla., agrees: "Apartments make money off rent, but it doesn't necessarily raise the value of the property. In the next 24 months, we will go back to maximizing value through all the extra things."

These "extra things," everything from bargain renter's insurance to discount dry-cleaning service, not only give a marketing boost to a property, but also provide real revenues for the owners. A 100-unit building may collect \$ 800,000 annually in rent, but the residents spend another \$ 4 million collectively that landlords don't get, says Cymrot. He claims it is entirely feasible to obtain 20 percent of that discretionary spending, thereby doubling revenue.

"It used to be that we sold walls and amenities," says Jeff Goldshine, CPM R , senior vice president for Rockville, Md.-based Capital Apartment Properties Inc. (CAPREIT). "Now it's about how we can make it easier on residents who are on the go, working all the time, by offering them goods and services at a discount."

CAPREIT recently started offering residents in its portfolio of 16,000 units a competitively priced, pre-installed phone service through a deal with GE Capital-Rescom. In return, CAPREIT gets a commission from GE. The consumer's growing desire to get a good deal and fewer hassles on such services is providing apartment owners with the climate they need to grow joint partnerships with vendors.

Seeds Already Sown

How healthy profits are from alternative revenue sources depends on a great many factors, and in most cases the jury is still out. But any profit beyond rental income is better than what most owners and managers are garnering already from non-rental sources.

Before you cast about for alternative revenue sources, you need to analyze the apartment community and tenant profile to determine what goods and services are in demand. For property managers, this task should be already half complete.

"Apartment managers have outstanding information on residents available through credit applications and lease applications," says Cymrot, who headed up companies that purchased and managed \$ 2 billion in real estate assets before starting his consulting firm. "With this information they can develop a clear profile of the types of people at the property."

The key data to build into the profile are average earnings, average age, how many children and their average age, percentage of blue versus white collar, how many retired, and government workers. Once you have your profile, you can use Bureau of Labor Statistics data on consumer spending to determine how your group spends its money. Retirees, for instance, will be less likely to use a referral service for purchasing a new home than a travel planning service.

Testing the Soil

In order for a new revenue source to be profitable, says Cymrot, it has to meet three criteria: It has to be convenient, dependable, and price competitive (the same price, if not better). Test your list of ideas against these three requirements. If you provide a good or service that does not meet all three, the venture will most likely fail, Cymrot says.

Test the economic feasibility of each idea. Analyze your purchasing power with vendors and service providers; the more residents you have, the more onsite access you have to give vendors. If your portfolio is relatively small, you probably won't be able to provide the more capital-intensive services, such as onsite personal banking or sophisticated telephone/cable packages at a discount.

Small owners have the option to ally themselves with one of the larger real estate firms or stick to a less expensive yet still profitable idea, such as offering a home-office facility. "Many renters don't have the \$ 2,000 to \$ 3,000 entry fee it takes to buy office equipment," comments Cymrot about the opportunity to tap into the work-at-home growth industry that already accounts for 25 million workers nationwide. Cymrot says an owner can get a payback on an investment in PC equipment in nine months by charging residents for use of a home-office facility.

Another concern is logistics. Some services will require certain expertise or licensing that you don't have. For example, a building with a lot of children might profit from a child-care service, but you don't want to enter the child-care business. So you would form a relationship with a local child-care business and share in the revenues.

The Time Is Ripe

This year appears to be the season to test the ground for ancillary profits, and there are a lot of innovative ideas springing up. Insignia Management Group, CAPREIT, Equity Residential Property Trust, and many others have recently launched new programs, setting the pace for smaller property owners.

"No company is big enough to go it alone," says John S. Jacques, chairman and CEO of Compleat Resource Group (CRG), a subsidiary of Insignia Management Group, which owns and manages more than 300,000 units (including co-ops). To increase the purchasing power of its parent company's portfolio, CRG created a non-profit association, Resident Direct Access, this spring.

The idea behind the non-profit organization is that by grouping together, the apartment-owner members can offer better discounts to their residents and greater buyer-access to vendors. In return, owners get a commission on goods and services sold to their residents. As the organization's exclusive marketing agent, CRG markets the program to vendors and visits properties to train leasing agents on how to promote the program to potential residents.

Among the discounted goods and services that Resident Direct Access offers are calling cards, Internet access, renter's insurance, hotel rates, car rentals, prescription drugs, and theme parks. As utility deregulation continues, the association will offer discounted water, gas, and electric services.

CRG initiated the association with Insignias portfolio and, since March, added another 100,000 units from owners not affiliated with the company (CAPREIT among them as of July). "Within the first year, our goal is to have 500,000 garden units signed up," says Jacques. He hopes to ultimately get a 10 percent penetration of the 35 million U.S garden units.

The spending power those numbers represent has vendors "clamoring to get in on the deal," says Gerry Wiatrowski, vice president of marketing for Equity Residential Properties Trust. Exercise equipment manufacturer NordicTrack agreed to start offering Equity residents 15 to 20 percent discounts in July, Nordic-Tracks worst selling month, just to move quickly on its partnership with Equity. In exchange for access to residents of Equity's 67,000 units, NordicTrack gives Equity a small commission on each sale and purchases an ad in the company's monthly newsletter, Coast to Coast.

Equity, headquartered in Chicago, is eager to band together with other owners, aiming to expand its buyer-discount group to the same magical number of 500,000 units that Insignias CRG wants. As of this interview, Wiatrowski says Equity has around 80,000 units behind its program.

Not all the players are heavy weights. Rick Lewis, of M.D. Carlisle Realty

Corp., Bayside, N.Y., supervises 900 units in Florida and 300 in New York. His company has found a tidy profit over the last couple of years in offering a relocation service to renters who are moving out and planning to purchase a home.

Through the Denver-based broker referral service, Midwesco International, Lewis is able to help his vacating residents find a home and get 10 percent of the selling broker's commission in return. Because the referral fee is almost always more than the security deposit, says Lewis, he refunds security deposits for residents who want out of their lease early but will use his relocation service.

"Offering the service encourages potential buyers to rent from me, with the added bonus that they tend to take better care of a property than non-buyers," says Lewis. You can also get a fee for putting a seller into the market - know any residents with a summer place or second home to sell?

Other alternative revenue ideas for small to moderate-sized portfolios are a plant service, concierge service, housekeeping, a handyman service for hanging pictures and assembling closet organizers, or offering health-club memberships with limited access to your rec room for non-residents.

Certified Revenue Manager?

"Ninety percent of companies do not have a job description for the person who develops alternative income," says Cymrot on what he thinks will be the future job for many up-and-coming property managers. "This position will be right next to the CEO. This is the future for property managers."

As the dependence on alternative revenues grows, property owners and managers will be able to have more control of their own destinies, says Cymrot. "Instead of depending on rent, they will depend on their own business skills. This is the first time they can do that."

The next area, sources agree, to develop a need for alternative profit sources will be commercial leasing. But for now, the various portfolios, large and small, of residential units will serve as a test crop to separate the chaff from the ideas that yield profit.

NON-RENT REVENUE ACTIVITIES

Automobile Leasing Automobile Loaner Automobile Mechanic on Premises Cable TV Catering Child Care Home Office Center Dry Cleaning & Shoe Repair Employment Services Furniture Leasing Health Club Housekeeping Income Tax Preparation Insurance (Auto, Life, Renter's) Pet Service Plant Service Storage Telephone TV & Sound System Rental Travel Service Relocation Services Mortgage Brokerage Real Estate Brokerage

Kent Hansen Wadsworth is associate editor of the Journal of Property Management.

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SERVING THE MULTIHOUSING INDUSTRY

Volume 20 Number 7

UNITS

SEPTEMBER 1996

A black and white photograph of four men in suits standing in front of a large building with a prominent dome. The man on the far left is in the foreground, looking towards the camera. The other three men are slightly behind him, also looking towards the camera. The building in the background has a large dome with arched windows and a classical architectural style.

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TECHNOLOGY

THE SEARCH FOR THE HOLY GRAIL

A Quest For Cable Revenue

BY LARRY KESSLER

Like King Arthur's endless quest for the Holy Grail, today's multi-unit housing owners eagerly search for the latest industry treasure: cable revenue sharing. But like fog from the mystic valleys of Camelot, the telecommunications industry remains shrouded in mystery, keeping lucrative contracts just out of reach. However, a magician may not be needed for property owners and managers to finally discover this modern-day Holy Grail.

Initially, most cable systems in the United States were hard-wired systems using coaxial cable. This technological exclusivity gave rise to powerful monopolies which controlled prices and services—with no checks and balances. Then in the early 1990s, Congress started scrutinizing the rates and practices of the hard-wired cable industry, and began putting controls into place designed to protect consumers, thus setting the stage for massive changes in the telecommunications industry.

MERLIN'S MAGIC BOOK

In an effort to clean up unfair business practices, Congress passed the Telecommunications Act of 1996 which has become a veritable book of magic for multi-unit housing owners. Simply put, this Act breaks down barriers writ-

ten 62 years ago in the Communications Act of 1934, and more recently in the Cable Act of 1992. Its overall thrust is straightforward. The Act increases competition by reducing government control. It also removes the restrictions that prohibit telephone and cable companies from cross ownership.

A copy of the Telecommunications Act of 1996 and basic interpretations of its meaning can be found at two primary internet sites. The first site is the Federal Communications Commission at <http://www.fcc.gov>. The second site is the technology law firm of Blumenfeld & Cohen at <http://www.technology-law.com>. Title III, Sections 301-305 of the Act specifically address how cable revenue sharing came into existence.

QUEST FOR OPTIONS

Thanks to the Telecommunications Act of 1996 and the Cable Act of 1992, more than 350 companies currently provide cable TV services in the U.S., driving up the demand for multi-unit housing properties as customers. The four top hard-wire providers include TCI, Time Warner, Comcast Cable, and Cox Cable. Some of the top wireless providers are People's Choice, OpTel, Heartland, and CAI Wireless. Many of these companies are publicly held,

bringing additional investor dollars to the table to help pay for revenue sharing contracts. Heartland (trading symbol HUNT), Cox Cable (TCOMA), Comcast Cable (CMCSA), and CAI Wireless (CAWS) are traded on the NASDAQ. Vital information about these companies including any restrictions on providing service can be obtained by researching their symbol at the local library, or by logging onto the internet at <http://www.sec.gov> for the Securities and Exchange Commission.

As the free market forces started taking hold, other important changes began occurring in the cable services industry. Cable providers reacted to the increased competition by aggressively spurring more technological innovation, more choices, and lower prices to put themselves in the battle for consumers, particularly multi-unit housing properties.

THE WONDERS OF WIRELESS

Recent reforms by the Federal Communications Commission facilitated the growth and competitive impact of the wireless cable industry. Currently, more than 250 wireless cable systems operate in the U.S., and it is estimated that these systems will have more than 10 million subscribers worldwide by the year 2000.

A wireless system is not the same as a SMATV system. SMATV systems are extremely limited in several aspects and cannot provide the wide array of services offered by today's wireless and hard-wired cable technologies.

Generally, a wireless cable system operates the same way as a hard-wired system. Like a hard-wire system, wireless cable uses a satellite receiver and tower antenna, called the "head-end," and other equipment necessary to receive television programming from space based satellites.

Once signals are received at the head-

TECHNOLOGY

end, they are transmitted from an antenna tower to a receiving antenna located at a multi-unit dwelling complex. These signals then pass through the conventional coaxial cables already installed in most homes and buildings, right to the television sets in each unit.

Unlike hard-wire systems, wireless cable systems do not require an expen-

sive in-ground network of coaxial cable or special signal amplification equipment. Due to this advantage, a wireless cable system rarely experiences outages. As the amount of equipment involved is basic, problems with the system can usually be diagnosed and repaired faster than those experienced by hard-wired systems. But most importantly,

the quality of the picture received by a wireless system is generally better than the picture delivered by hard-wired cable.

Until recently, wireless systems could only offer 33 channels. However, many systems now offer up to 50. With new digital compression technology, some systems, like PacTel in California, will soon be offering 100 channels or more. A good reference to study this technology can be found in the Friday, April 27, 1996, issue of USA Today, where they discuss the future of being able to deliver up to 500 channels.

HARD-WIRED STILL IN THE GAME

Wireless systems are not without their faults. One of the biggest is their need for a clear line of sight from the head-end to the subscriber. This limits a wireless system's efficiency to areas with flat plains with few trees, and tall buildings (i.e., Dallas, Houston, and Phoenix), or to densely populated areas with many tall buildings (i.e., Los Angeles, San Francisco, Miami, New York, and Chicago). So, in areas where wireless systems lack the topography needed to provide high quality service, hard-wire systems will continue to dominate the market.

As far as the technological limitations of the hard-wire systems' need for special equipment, many of these systems are being rebuilt with fiberoptic cable. This levels the playing field for offering clear pictures and interactive video services in the future.

THE FINAL QUEST

As multi-unit property owners and developers increasingly understand the opportunities created for them by increased competition in the cable service industry and learn the latest technology options available to their properties, all that's left is to begin their final

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For a 10 to 15 year contract (the industry standard) many cable companies, both hard-wired and wireless, offer an attractive package of options in exchange for access to a multi-unit property. These packages often include free premium channels, free additional TV connections, unit water metering, and even sophisticated television monitoring devices. But that may only scratch the surface of what is actually available.

Almost every cable company, large or small, offers some other incentives in states where the law permits this activity. Generally, this takes place in one of four ways. The first option offers a one-time, cash-up-front per unit deal. The second is a straight revenue sharing option based on the percentage of occupancy and subscribership, and it is paid quarterly over the life of the contract. The third is a combination of both cash-up-front and quarterly revenue sharing. The fourth option offers the property owner stock in the cable company. The availability of these options is based on the location of the property, its condition, total average occupancy, and the percentage of cable service subscribers.

For now, hard-wired companies seemingly prefer paying owners and developers cash-up-front per unit because they generally do not have the computer and accounting systems required to make revenue sharing payments on a quarterly basis. But almost all wireless systems are set up to offer revenue sharing.

Negotiating the best of the four basic options mentioned above in addition to negotiating for enhanced services for your residents can be likened to playing an invigorating game of Dungeons & Dragons. First, property owners must understand the position of all the companies providing service in their area.

This includes the cable providers' available technologies, sources of operating capital, pending mergers or buy-outs, and future plans. Oftentimes the company which offers the most money does not offer the best services.

DRINKING FROM THE CUP

The first critical step toward researching, developing, and negotiating cash-up-front or quarterly revenue sharing contracts is for owners to review the existing cable service contracts on each property. In some cases these contracts will be long expired, making these properties bountiful candidates for finding new service providers offering tremendous revenue sharing contracts. Other contracts will have dates which have not yet expired. In many cases, these contracts can potentially be bought out by a new provider for cash-up-front, just to secure the option to provide service when the contract expires.

When conducting the research, it is important to look for the companies which are best poised to do battle over your property. A good example is the case in California where PacTel, TCI, and Cox are battling it out to provide cable TV and local and long distance phone service. With enough information and understanding of the technology, competition, laws, and

regulations, any owner can begin a very successful bidding war, always ending in his favor.

With some savvy research, preparation, and negotiation it is possible to gain substantial profits from cable revenue sharing. The most important thing to remember is that only excellent research and preparation provided by either the owner or a consultant, is the real key to finding and drinking from this modern-day Holy Grail. ■

Kessler is the executive director of Intelli-Cable, a nationwide service organization assisting multihousing owners and developers in researching, developing, and negotiating of cable revenue sharing proposals. Its services are free of charge to property owners and managers.

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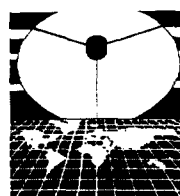
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HAVE YOU RECEIVED YOUR PIECE OF THE PIE?



CABLE REVENUE SHARING *Getting Your Share*

The Telecommunications Act of 1996 has created many opportunities and options for you to profit from cable revenue sharing. But researching and understanding the best of these is both time-consuming and expensive. So, here are some tips to get ahead of the game:

- Update your property portfolio
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 - Review your current cable service agreements
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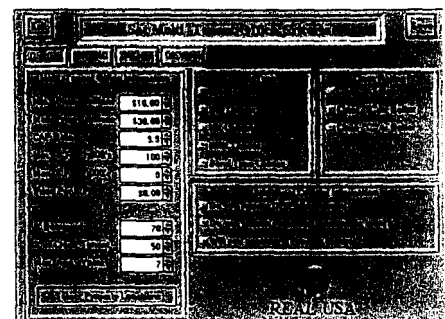
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Patrick Dober

Many of the country's leading apartment firms are creating substantial new value for residents and owners through innovative approaches to property management, making property management an increasingly important element of the apartment industry. This column begins with a discussion of the factors behind the increased importance of management, then summarizes the primary approaches to enhancing profitability through management.

Management improvements

Over the last decade, several factors have encouraged multifamily firms to focus on creating value from property management.

* The federal tax reforms of 1986 brought a virtual end to the tax-driven approach to rental housing. Combine this with the end of rapid capital asset appreciation, and the days of automatic profit in rental housing were over. In the 1990s, multifamily firms were forced to look to property management to make an increased contribution to total company revenue.

* A significant portion of multifamily housing now is owned by institutional investors who have more demanding expectations of financial performance than the family and partnership ownership structures that predominated in the past. Institutions such as pension funds and mutual funds demand consistent and growing returns. These investors rigorously evaluate returns compared to alternative investments. Further, the securitization and public trading of apartment debt and equity creates public investor scrutiny and widely disseminated information on apartment company performance.

7/1/96 NATRESTINV 30

* The increasing size of the top apartment companies, as documented by the annual National Multi Housing Council 50, creates efficiencies in all aspects of property management, allowing delivery of better service to residents at lower costs.

* Ownership of apartments by real estate investment trusts (REITs) and the purchase of limited partnership interests by private company general partners gives managers increased, centralized control over their portfolios. This facilitates implementation of practices such as portfolio wide management strategies, bulk buying and centralized staff training.

* Many of today's renters demand more from their apartment company in services, amenities and conveniences. Today's discretionary renter, who can afford to buy but chooses to rent, evaluates management critically and will relocate if expectations are not met.

Customer service commitment

As a result of these motivating factors, apartment companies have formulated a vast array of management strategies. These management strategies can be categorized under three broad themes. First and foremost is the focus on resident or customer satisfaction that now pervades many apartment companies. In presentations at the Urban Land Institute's spring meeting, executives from Equity Residential, Post Properties, Avalon Properties, R&B Realty and Trammell Crow Residential discussed their companies' pervasive commitment to customer service. These firms are increasingly spending money to attract and train talented individuals who will make property management their career. These firms tie compensation to performance based on customer satisfaction surveys. And some firms offer residents free rent for any time beyond 24 hours that a repair request is unfulfilled.

A small sampling of the many specific services offered or under development by these five companies and other industry leaders includes: van service to mass transit; no-fee bank accounts; equipment for loan such as sports supplies, tool boxes and carpet shampoo machines; on-site sale of basic needs like stamps and light bulbs; twice monthly payment plans to match residents who draw their salaries that way; concierge services; wake up calls; exercise classes; and community newsletters, outings and other activities that build the sense of community which many residents seek.

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Retail selling

A second major type of management strategy involves apartment companies using their size and access to residents to either directly supply retail goods and services to residents or, more commonly, to act as a conduit for traditional retail companies. Apartment companies are realizing that proximity to residents and their daily needs provides numerous opportunities to both earn new revenues and provide discounted, conveniently delivered products to their residents.

* Telecommunications: Apartment company alliances with alternative telephone and television providers, such as GE Capital-ResCom, is a prime example of the entry of apartment companies into the consumer service delivery world. Apartment companies make available large numbers of customers to the telecommunications provider and in return get discounted and potentially higher quality services for residents, as well as a share of resident payments in some cases. Camden Property Trust, a Houston-based REIT, is moving further into the delivery of telephone services by providing, on its own, more of the necessary hardware than under the typical telecommunications-apartment company alliance -- the anticipated result being an increased share of revenue for Camden.

The size of the market for direct selling of telecommunications is unknown. A key question for telecommunications and many other goods and services that might be provided by or through apartment companies is what portion of older, B- and C-quality properties are suitable. Insignia Financial Group recently announced plans to deliver GE Capital-ResCom services to a wide inventory of properties including older properties.

* Preferred vendor discounts: A host of discounted products are being offered to residents under arrangements called preferred vendor discounts, where apartment companies partner with retail firms to market products to residents in return for substantial discounts. Again, Insignia is an innovator. In January 1996, the firm announced an alliance with Hospitality Franchise Systems (HFS) to offer discounts on products that may include appliances, insurance, travel planning and car rental as well as products from top-name companies like Coca-Cola, AT&T, Pizza Hut and Zenith. The products and services will be marketed through an association termed "Residents Direct Access" by Insignia subsidiary Compleat Resource Group.

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* Opportunities from residents working at home: The growing practice of telecommuting (working from home) will increase the multifamily company's advantage of proximity to residents' daily needs. The next horizon could be delivering both personal and business products to people working at home, which they formerly purchased at the workplace. Many new apartment communities offer business centers with messaging, mailing, photo-copying and computer services free of charge. But at least one company plans to turn business centers into revenue sources by bringing in stores like Mail Boxes Etc. and Kinko's Copies.

Direct buying

A third major property management approach involves reducing the cost of apartment operations and maintenance inputs with high volume and direct purchasing that cuts out agents and brokers -- call this "direct buying." Direct buying of apartment inputs is not new, but its potential to increase profits is substantial. Many firms now are circumventing local sales agents and buying directly from the factory. For example, Avalon Properties negotiated an agreement with a carpet factory and achieved an 8% to 12% discount below the price obtained through traditional intermediary suppliers. Through its Apartment 2000 project, JPI intends to utilize volume discounts with suppliers to build new apartments with superior amenities at the same rent levels as their competitors.

Pooled buying by multiple companies is an alternative to individual company purchasing. At least four firms -- Buyers Access, Professional Apartment Services, GE Power Buyer Service and Maintenance Warehouse -- offer apartment companies a range of supplies at costs typically below those that an individual company can negotiate. A subsidiary of NHP, Buyers Access purchases supplies for approximately 500,000 apartment homes. The downside of this approach is the potential loss of customized service provided by local suppliers familiar with specific apartment communities and their needs.

The pooled buying approach illustrates an important point: firms do not necessarily have to grow on their own in order to take advantage of many of the approaches discussed in this article. As an example from the retail selling side of the equation, Insignia's Compleat Resource Group (CRG) plans to offer discounts to any size apartment company based on the collective buying power of CRG.

* Utilities: Another example of pooled buying, this one in the

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utilities area, comes from the New Jersey Apartment Association (NJAA) which is taking advantage of natural gas deregulation to bypass a regional gas utility and purchase gas directly from the pipeline for its member firms. The NJAA claimed a 19% savings rate during the winter of 1995-96. Outside New Jersey's initiative, direct buying of utilities is undeveloped. One possibility in the early stages of development is retail wheeling of electric power. Similar to New Jersey's gas purchasing, retail wheeling means direct purchasing of power from the regional power grids, bypassing the electric utility companies.

Final observations

Many of the approaches discussed here are in early stages of development. Some will not pan out, and some have failed to deliver on expectations. Some telecommunications companies, for example, have failed to deliver on their contracts with apartment companies. The wise apartment owner may wait to see technologies and methodologies mature before committing to certain capital and staff intensive initiatives.

The apartment company of the future will have the opportunity to operate a variety of resident services and sales businesses in addition to the core business of providing quality apartments. Companies will be faced with decisions about which businesses to operate themselves and which to leave to third parties.

The vast majority of multifamily housing is not benefiting from the management approaches described in this article. As a result, there exists an enormous opportunity for companies to both deliver new management approaches directly and to train other firms to provide these approaches on their own.

Apartment residents in communities offering the services mentioned in this article, such as state-of-the-art telephone and television packages, preferred vendor discounts and dedicated professional management staffs, have gained substantial value in recent years compared to residents of single-family homes. The amenities and services offered in many apartments today surpass those available in single-family homes.

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Wireless cable, phone companies team up

By Paul Dillon

Orlando, FL, US, South Atlantic --

Cable television firm American Telecasting Inc. has joined with local telephone service provider US Telesys to market their services as a combined package to Orlando apartment complexes.

Although the two companies began pitching their "single source" service about two weeks ago, Houston-based US Telesys cannot begin providing telephone service until Jan. 1, when a Florida law allowing competition in the local phone service market takes effect.

American Telecasting, based in Colorado Springs, Colo., entered the Orlando market in 1991 and has about 12,000 area customers, says the company's regional manager, Larry Greenberg. The company is a "wireless" cable company that uses microwave technology to transmit satellite-gathered TV programming to antennas at subscribers' homes and businesses. The antennas receive signals from the company's satellite dishes and pass them through conventional cable to converters atop TV sets.

Mark Schiavone, US Telesys' regional sales and marketing manager in Orlando, says US Telesys and American Telecasting are targeting apartment complexes of 200 units or more.

"We feel that offering an apartment complex owner with a package that includes both video and telephony is a very compelling package," he says:

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Under such an arrangement, American Telecasting and US Telesys would install equipment on the property to provide their services. Schiavone says it would cost US Telesys an average of \$250,00 per apartment complex. Greenberg declines to disclose the cost of installing American Telecasting equipment at each location.

An apartment owner signing an agreement with the companies would share a portion of the revenues generated by the services, Schiavone says, although he will not disclose exactly how much. Residents would receive separate bills for cable TV and local phone service under the arrangement.

For the apartment owner, "This is one-stop shopping," Greenberg says.

Neither Schiavone nor Greenberg will identify apartment complexes they are negotiating with or project how much revenue their companies' joint marketing agreement might generate. The effort is aimed at upper-end complexes, including existing properties, new complexes and ones under development.

"We're not looking at complexes with extremely high turnover rates or low rental rates," Schiavone says.

Industry observers say they have never heard of a co-marketing effort between a cable TV firm and local phone company, a move made possible by the telecommunications reform act passed by the Florida Legislature last June. The law will open local telephone service to competition in 1996, ending monopolies by BellSouth and other local phone companies.

Marcia Malys, director of marketing for Cablevision Industries in Florida, says the cable TV provider may eventually co-market its services with the services of a local phone company, but it is too early to tell. "That's always a possibility," she says.

Cablevision Industries is a conventional, wired cable provider with more than 100,000 customers in Central Florida.

American Telecasting has more than 150,000 customers in mid-size markets in 21 states. In Florida, the company operates in Orlando, Jacksonville and Fort Myers. Its Central Florida customers are

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within a 30-mile radius of American Telecasting's area transmitter atop the SunTrust building in downtown Orlando.

US Telesys is in the process of being certified by the Florida Public Services Commission to provide local phone service in Florida. Schiavone says the company should be certified by Jan. 1 and will begin providing service soon after. The company will pay to interconnect with BellSouth and other local phone companies across the country to carry local phone transmissions. US Telesys also is pushing into cities in Colorado, Arizona, Mississippi and Texas.

Schiavone is US Telesys' only local employee, but the firm plans to add four or five employees by the end of the year, in addition to hiring subcontractors. He says US Telesys can provide local phone service for between 5 percent and 10 percent less than BellSouth and other local phone companies.

Greenberg expects American Telecasting to grow its local customer base by 4,000 to 5,000 yearly. The company offers basic cable TV service for \$21.95 a month, which includes 31 regular cable channels and the premium Disney Channel. Greenberg says the price is between 20 percent and 30 percent lower than conventional wired cable service, although American Telecasting offers fewer channels than most conventional cable companies.

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